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OFFICE OF REPORTS AND ESTIMATES

TRANSPORTATION GROUP

5 July 1949

Weekly Intelligence Summary No. 69

SECTION I. SUMMARY OF TRENDS AND DEVELOPMENTS

Violations of the joint US-UK policy to exclude Satellite commercial air traffic from Western Europe are increasing, and Western European nations are becoming more reluctant to conform to the policy rigidly in the face of western desire to expand commercial relations with the East and mounting Satellite pressure for air outlets. The ineffectiveness of the US-UK policy, combined with pressure for its relaxation or abandonment, particularly with regard to Yugoslavia, has again focused attention on the effects expanded Satellite air operations beyond the Iron Curtain will have on US security. (Item No. 1, A)

The restoration of air services in northeast China, possibly with American assistance, is apparently of some concern to the Communists. It may be assumed, however, that any agreement between US airlines and Communist officials will be of a temporary and local nature and that no valid contracts for internal services will be signed until a central Chinese Communist Government has been proclaimed. (See Annex for former civil air routes in China.) (Item No. 2, A)

25X6A



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- 2 -

The Czechoslovaks reportedly plan to circumvent the recent Greek prohibition of landing rights at Athens by routing their DC-3 transports en route from Prague to Lydda by way of Rome, Brindisi and Nicosia. [REDACTED]

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Soviet efforts to obtain intelligence on foreign ports may be reflected in the increasing number of long and uneconomic voyages made by Soviet-flag vessels, as well as the unusually large crews carried by such vessels. (Item No. 5, C)

~~CONFIDENTIAL~~

SECRET

- 3 -

SECTION II. CURRENT DEVELOPMENTS

CIVIL AVIATION

1. Violations of the joint US-UK policy to exclude Satellite commercial air traffic from Western Europe are increasing, and Western European nations are becoming more reluctant to conform to the policy rigidly in the face of western desire to expand commercial relations with the East and mounting Satellite pressure for air outlets. The ineffectiveness of the US-UK policy, combined with pressure for its relaxation or abandonment, particularly with regard to Yugoslavia, has again focused attention on the effects expanded Satellite air operations beyond the Iron Curtain will have on US security.

With the exception of Rumania and Bulgaria, all the Satellites have increased their air operations into Western Europe, and nearly every Western European country has been reluctant to comply with US requests that such operations by Soviet-controlled carriers be barred until the USSR permits western aircraft to operate to the USSR. Poland has concluded reciprocal air agreements with Denmark and Belgium. The Czechoslovak airline, on the basis of long-standing agreements, is operating regular flights to practically every Western European capital north of the Pyrenees. Hungary has made special flights to a number of points. Yugoslavia is negotiating with Italy and is about to open negotiations with the UK for reciprocal air agreements. Swiss-Yugoslav negotiations are in progress. Yugoslavia is also reportedly negotiating with the French for an exchange of air rights and for the delivery of French aviation equipment.

In attempting to expand their operations into Western Europe, most of the Satellites have indicated their willingness to grant reciprocal rights. In actual fact, however, the Satellites are unable to grant full reciprocity because Satellite airlines -- with the exception of the Yugoslav carrier -- are in practice controlled or owned in part by the USSR. Full reciprocity would thus mean granting western carriers permission to operate to the USSR.

In seeking to expand to the West, the Satellites apparently hope to facilitate trade relations. In any future negotiations for an air agreement, they are thus likely to attempt to obtain western agreement to relax the current embargoes on export of aircraft and aircraft parts. Czechoslovakia, for example, is particularly anxious to obtain replacement parts and must procure long-range aircraft from the West if it is

SECRET

- 4 -

to re-establish regular air operations to the Middle East. Although the USSR could in the long term provide the Satellites with aircraft, the current shortage of air equipment in the Satellites would prevent any substantial early increase in Satellite air operations to the West in the event that the US-UK containment policy is abandoned. Moreover, if the Satellites were to receive air equipment from the West, the resulting increase in their civil air potential would be reflected largely in rehabilitation and extension of their domestic networks.

Yugoslavia has been the most active of the Eastern European nations in seeking to establish commercial air relations with the West. Unlike the Satellite companies, the Yugoslav airline is not controlled or owned by the USSR. (According to reliable reports, the Soviet-controlled Yugoslav airline JUSTA has been dissolved.) Yugoslavia is particularly eager to obtain air agreements with western nations in order to: (1) improve the chances of attracting commercial representatives and technical experts to Yugoslavia; (2) establish closer western ties as a countermeasure to increasing Cominform pressure; (3) obtain a source of supply for aviation gasoline, the shortage of which has severely hampered Yugoslav air operations; and (4) secure the necessary equipment to restore domestic air operations. (Secret)

2. The restoration of air services in northeast China is apparently of some concern to the Communists. The extensive air network which provided rapid communications between all the large cities and maintained effective connections between the interior and the large coastal ports ceased to exist with the Nationalist retreat. (See Annex for former civil air routes in China.) This area was formerly served by the three Chinese airlines, CATC, CNAC, and CAT. It is unlikely that the Communists will be able to induce these companies to re-establish former services because: CATC is wholly owned by the Nationalist Government; CNAC, though partly owned by the US Airline, Pan American Airways (PAA), is also an instrument of the Nationalist Government; and CAT is largely owned by General Chennault, a loyal supporter of Chiang Kai Shek.

Negotiations with Communist officials (see TC Weekly No. 57) have been resumed on the initiative of both NWA in Peiping and PAA in Shanghai with a view to resuming former operations over their respective routes. (As the Civil Aeronautics Administration of the Nationalist Government barred foreign airlines from operating internal services, US airlines have in the past merely connected the principal Chinese seaports with the international air routes.) The discussions in Peiping and Shanghai have revealed, however, that Communist officials are apparently interested in re-establishing, with American assistance,

SECRET

- 5 -

some portion of the former domestic air network. PAA and NWA separately report the Communist intention to control the restored services which would be operated on a strictly contract basis. It may be assumed that any agreement between the American airlines and Communist officials will be of a temporary and local nature and that no valid contracts for internal services will be signed until a central Chinese Communist Government has been proclaimed. (Secret)

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- 6 -

25X6A

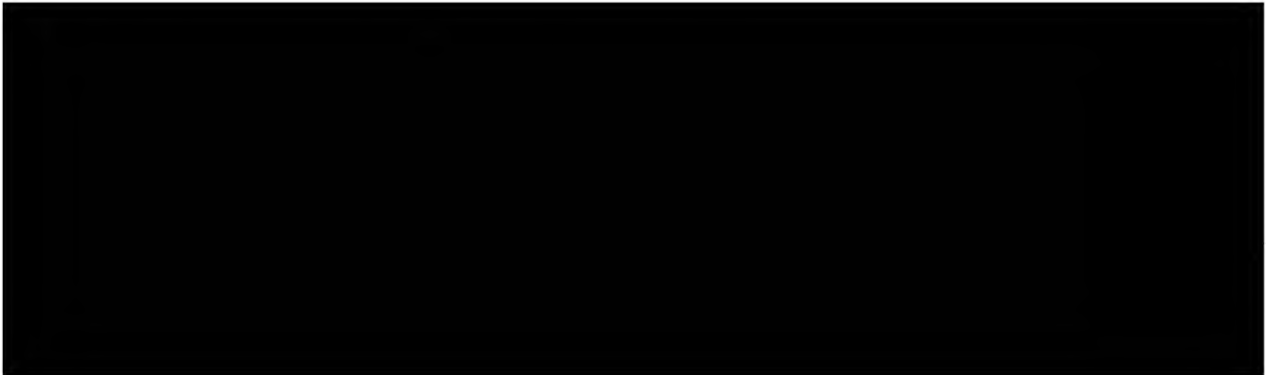
4. Air services between Prague and Lydda are to be resumed by the Czechoslovak airline (CSA) according to reliable reports. CSA's flights to Israel, formerly routed via Rome and Athens, were interrupted in early May when the Greek Government suddenly cancelled air rights which had been granted to Czechoslovakia on a provisional basis (See TG Weekly No. 61). The Czechoslovaks reportedly plan to circumvent the Greek prohibition by routing their DC-3 transports via Rome, Brindisi and Nicosia.

Since the blocking of Czechoslovak air operations to the Near East has been one of the prime objectives of the joint US-UK Satellite aviation policy, the resumption of CSA flights to Lydda would not only cancel out past US-UK efforts to implement that aspect of the joint policy, but also damage US-UK prestige in the Eastern Mediterranean. Moreover, Greek support of the US-UK aviation policy may be lost. The Greeks have already voiced their concern over the reported resumption of Czechoslovak flights to Israel which, in their opinion, negates their denial of landing rights to CSA at Athens and weakens their ability to use such landing rights as a bargaining point in future

- 7 -

trade negotiations with Czechoslovakia. Thus, if their prohibition against Czechoslovak aircraft is to serve no useful purpose, the Greeks wish to re-establish air connections with Prague in the interest of facilitating commercial exchanges with Poland, Hungary, and Eastern Germany, as well as Czechoslovakia.

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SURFACE TRANSPORTATION

5. Soviet efforts to obtain intelligence on foreign ports may be reflected in the increasing number of long and uneconomic voyages made by Soviet-flag vessels, as well as the unusually large crews carried by such vessels. (Some time ago, for instance, a Soviet vessel allegedly destined for Leningrad sailed from New York via the Panama Canal and the US West Coast without apparent commercial justification for such a voyage. It is known, moreover, that Soviet Liberty-type cargo vessels frequently carry as many as fifteen or twenty more crew members than do comparable US vessels.) These voyages are undoubtedly valuable to the USSR for the purpose of training merchant marine crews. The excessive number of cadet and apprentice grade personnel frequently included in Soviet crew lists, however, suggests the possibility that many such crew members are in reality junior Soviet naval officers, carried principally for experience and intelligence activity in foreign ports. (Secret)

SECRET

- 6 -

ANNEX

CIVIL AIR ROUTES IN CHINA
(as scheduled prior to the recent Communist advance)

I. China National Aviation Corporation (CNAC)

	<u>Route</u>	<u>Frequency</u>	<u>Equipment</u>
1.	San Francisco-Honolulu-Wake-Guan- (Agana Field)-Hong Kong-Shanghai	Once a week in each direction	DC-4
2.	Shanghai (Luchwa)-Tsingtao (Tsangkow)	Three times a week in each direction	DC-3
3.	Shanghai-Peiping (West Field)	Daily, including Sunday, in each direction	C-46
4.	Shanghai-Nanking (Ming Ku Kung)- Tsingtao-Peiping	Twice a week in each direction	C-46
5.	Peiping-Ninghsia-Lanchow	Once a week in each direction	C-46
6.	Shanghai-Nanking-Hankow (Hsukiapeng)- Chungking (Sanhupah)	Twice a week in each direction	DC-3
7.	Chungking-Kunming (Wuchiapa)	Once a week in each direction	DC-3
8.	Kunming-Hanoi	Once a week in each direction	DC-3
9.	Chungking-Sichang	Once a week in each direction	DC-3
10.	Chungking-Kweiyang	Once a week in each direction	DC-3
11.	Chungking-Chengtu	Once a week in each direction	DC-3
12.	Shanghai-Chungking	Twice a week in each direction	DC-3

SECRET

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- 9 -

	<u>Route</u>	<u>Frequency</u>	<u>Equipment</u>
13.	Shanghai-Hankow-Chungking	Twice a week in each direction	C-46
14.	Shanghai-Nanking-Hankow-Sian-Hankow	Twice a week in each direction	C-46
15.	Shanghai-Nanking-Hankow-Sian-Lanchow	Once a week in each direction	C-46
16.	Shanghai-Hong Kong-(Kai Tak)-Kunming-Rangoon (Mingaladon)-Calcutta (Dum Dum)	Once a week in each direction	DC-4
17.	Shanghai-Taipeh-Amoy (Ho Shan)	Twice a week in each direction	DC-3
18.	Shanghai-Taipeh	Four a week in each direction	DC-3
19.	Shanghai-Foochow (Yee Yu)-Amoy	Twice a week in each direction	DC-3
20.	Shanghai-Taipeh-Foochow	Twice a week in each direction	DC-3
21.	Shanghai-Amoy-Canton (Tien Ho)-Hong Kong	Once a week in each direction	DC-3
22.	Shanghai-Foochow-Canton-Hong Kong	Once a week in each direction	DC-3
23.	Shanghai-Foochow-Amoy-Hong Kong	Once a week in each direction	DC-3
24.	Amoy-Swatow-Hong Kong	Twice a day, including Sunday, in each direction	DC-3
25.	Shanghai-Taipeh-Hong Kong	Once a week in each direction	DC-3
26.	Shanghai-Foochow-Taipeh-Hong Kong	Once a week in each direction	DC-3
27.	Shanghai-Hong Kong	Daily, except Sunday, in each direction	DC-4

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- 10 -

<u>Route</u>	<u>Frequency</u>	<u>Equipment</u>
28. Shanghai-Amoy-Swatow-Canton-Hong Kong	Once a week in each direction	C-46
29. Taipeh-Swatow-Hong Kong	Once a week in each direction	C-46
30. Shanghai-Swatow	Once a week in each direction	C-46
31. Hong Kong-Canton	Four times a day, including Sunday, in each direction	DC-3
32. Hong Kong-Canton-Haikow	Three times a month in each direction	C-46
33. Hong Kong-Chungking (Kiulungpo)	Once a week	No aircraft listed
34. Chungking-Canton-Hong Kong	Once a week	No aircraft listed
35. Hong Kong-Canton-Haikow-Yulingkong	Twice a month in each direction	C-46
36. Hong Kong-Swatow-Canton (Tien Ho)	Once a week in each direction	C-46

II. Central Air Transport Corporation (CATC)

<u>Route</u>	<u>Frequency</u>	<u>Equipment</u>
1. Shanghai-Amoy-Swatow-Canton-Hong Kong	Three times a week in each direction	DC-3 or C-46
2. Shanghai-Swatow-Canton-Swatow-Hong Kong-Bangkok (Don Muang)	Once a week in each direction	DC-3 or C-46
3. Tainan (Ta Ling)-Amoy-Swatow-Hong Kong	Daily, including Sunday, in each direction	DC-3 or C-46

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- 11 -

III. Civil Air Transport (CAT)

	<u>Route</u>	<u>Frequency</u>	<u>Equipment</u>
1.	Shanghai-Nanking-Hankow-Changchow-Sian-Lanchow	Once a week in each direction	C-46 or C-47
2.	Shanghai-Nanking-Wuchang-Hangyang-Kweilin-Liuchow-Canton	Not known	C-46 or C-47
3.	Canton-Lanchow-Liuchow-Chungking	Not known	C-46 or C-47

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